



Director of  
Central  
Intelligence

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29 November 1988

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SPAIN:

#### Basque Election

*The election in the Basque region tomorrow could have important implications for Spanish Prime Minister Gonzalez's antiterrorist policy and for the future of the conservative opposition.*

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Four local and three national parties will be competing for seats in the 75-member Basque parliament. The election was precipitated by a split within the governing Basque Nationalist Party and the subsequent defection of one-third of its deputies. According to opinion polls, no party is likely to emerge a clear winner.

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Although the election has been fought largely on local issues, the outcome is likely to provide an indicator of popular acceptance of Madrid's tough antiterrorist measures against the Basque terrorist group ETA. Gonzalez, who has categorically rejected political dialogue with the ETA, is almost certainly hoping that a strong showing by his Socialist Party against the local parties will vindicate his policies and allow him a freer hand in dealing with the ETA.

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Much depends, however, on the fate of the moderate Basque Nationalist Party. It has spoken out against violence by the ETA over the past year and cooperated with the central government on a number of key issues. If the Basque Nationalists suffer sharp losses to the more radical local parties, this might lead to a return to a more confrontational policy toward Madrid.

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The election may also have a major impact on Gonzalez's center-right opponents even though they are likely to control only a small number of regional seats. A poor showing by the Popular Alliance would weaken the already fragile position of its leader, Manuel Fraga. In addition, the election will test the popularity of former Prime Minister Adolfo Suarez's fledgling party, which is trying to replace the Popular Alliance as the major opposition to the Socialists.

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**USSR-INDIA:**

**Gorbachev Visit Ends**

**Soviet leader Gorbachev's visit to India, which ended yesterday, produced a joint declaration on international issues that broke no new ground.**

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The statement—dubbed the "Delhi Declaration" by Gorbachev—condemned the military use of outer space, called for conferences to eliminate nuclear weapons by the end of the century and to demilitarize the Indian Ocean, mentioned mutual interest in Asian peace and security, and claimed agreement on specific trouble spots, particularly the Middle East, South Africa, and Central America. The visit resulted in economic accords, as anticipated, but India avoided a commitment to purchase a Soviet nuclear reactor.

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The joint declaration was an effusive, mutually flattering reaffirmation of Indo-Soviet solidarity. As expected it avoided contentious issues. Neither Afghanistan, the Sino-Indian border dispute, nor Sino-Soviet relations were specifically mentioned. Although Gorbachev repeated his call for an Asian security conference in his address to the Indian Parliament, India did not endorse the idea in the general declaration.

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Any hope that the visit would produce major advances in Indo-Soviet ties had probably faded before its start. Each side had been unresponsive to the other's overtures on difficult issues during preliminary discussions.

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Moscow and New Delhi are probably content with the warm atmospherics of the visit and the extensive media coverage, which have sent the intended signals that their relationship remains vigorous. It is possible, nonetheless, that the unexpectedly protracted private talks between Gorbachev and Indian Prime Minister Gandhi produced disagreements or unfinished business.

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#### **BRAZIL: Antigovernment Demonstrations**

President Sarney is surprised over the negative response to the recent adjustments to his anti-inflationary program. [REDACTED] that several thousand people participated on Thursday in a violent demonstration in Brasilia. The crowd was organized by leftist and labor groups to protest the large, selective price hikes implemented last week. Leaders of the majority Democratic Movement Party are criticizing the lack of wider consultations with Congress before the new measures were announced. [REDACTED] Finance Minister Funaro, widely seen as the architect of the economic program, offered his resignation as a result of the growing criticism, but the President refused it. [REDACTED]

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[REDACTED] After a strong popular endorsement in the recent election of the government's inflation-fighting program, the public apparently feels betrayed by Sarney's efforts partially to lift the freeze on prices. Labor and leftist leaders are probably planning more demonstrations and strikes against the government. The extent of public disapproval will probably keep Sarney from implementing further adjustments, which are needed to bolster the flagging economic program. [REDACTED]

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#### **BOLIVIA: Dealing With Miners**

The government has given 21,000 mineworkers an ultimatum to accept or reject a final offer of severance benefits by midnight tomorrow. [REDACTED] many of the rank and file are urging their leaders to accept the offer—worth an average of about three years of their pay—even though union negotiators had earlier demanded much more. [REDACTED]

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[REDACTED] This is the latest step in La Paz's yearlong effort to streamline its troubled mining sector. If the miners accept the offer, the government will probably have to rely on foreign aid or deficit spending to finance the settlement and figure out a way to provide alternative employment. Regardless of the outcome, the government will retain the initiative because recent strikes and marches have attracted little public support and the miners union appears to have become increasingly divided. [REDACTED]

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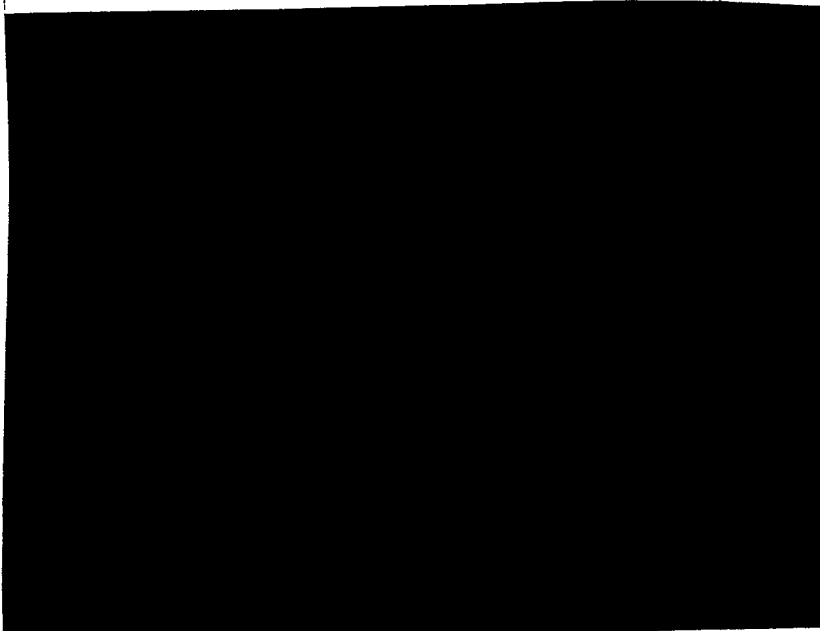
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# CUBA: Armed Forces Day Parade

The Castro regime will celebrate Armed Forces Day next Tuesday by staging what the Cuban press is calling the biggest military parade ever in Havana, to be followed later in the week by a major islandwide military exercise.

The Cubans are unlikely to unveil any new weapons during the parade.

Havana's description of the size of the parade indicates that many of the 1.5 million territorial militia personnel will participate. There will probably also be significant militia involvement in the military exercises later in the week.

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#### ROMANIA: Defense Cuts Announced

President Ceausescu's recent announcement that Romania will reduce its defense budget by 5 percent is meant to portray Romania as a leader in arms control and underline its independent policies within the Warsaw Pact. The reduction will not significantly reduce the country's military capability. Ceausescu said that, as part of the cut, Romanian forces would be reduced by 10,000 men and that there would be reductions in the number of tanks, armored personnel carriers, fighter aircraft, and helicopters.

The figures Ceausescu announced amount to about 5 percent of Romania's military personnel strength and of the inventories of the weapons in question. However, the figure given for the total reduction in defense spending actually amounts to about 10 percent of the Romanian announced defense budget and may be a tacit admission that defense outlays are twice the officially published figure. The cut in manpower probably will not hurt military readiness; half of Romania's military personnel are already involved in civilian projects. The weapons reductions probably will be achieved by retiring older weapons. The budget reductions, however, could affect Romania's military capabilities if they delay the acquisition of modern weapons. The Soviets are likely to tolerate Ceausescu's initiatives because Romania does not play a central military role in the Warsaw Pact.

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# In Brief

## Middle East

- Syria expelling three Germans in response to West Germany's expulsion of three Syrian diplomats after court verdict tying Damascus to bombing in West Berlin in March ... Damascus relieved that Bonn did not sever diplomatic links. [REDACTED]

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[REDACTED]

[REDACTED]

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## East Asia

- Philippine President Aquino yesterday dismissed Ministers Maceda and Mercado for failing to reduce corruption in their ministries ... replaced by businessmen respected for integrity ... additional dismissals, demanded by military, expected. [REDACTED]

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[REDACTED]

- Son of Singaporean Prime Minister Lee one of four young parliamentarians appointed to ruling party's policymaking committee this week ... represents further grooming of younger Lee, government commitment to orderly succession. [REDACTED]

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## Oceania

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Americas

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as many as 17 anti-French bombings took place in Guadeloupe this month ... latest coincide with French Assembly debates on area ... first bombings since elections in March, may signal new violence.

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Europe

— Danish Social Democratic opposition introducing bill to ban arms shipments to countries at war ... reacting to allegations Danish ships were used to transport Israeli, US arms to Iran. government opposes bill, but some legislation likely.

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[REDACTED] ... Honecker visited Vatican last year ... Pope concerned about Berlin status, may visit church congress in Dresden instead.

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USSR

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Africa

— Congress of South African Trade Unions calling for two-hour work stoppage Monday ... protesting death of union activist in Durban. ... organizers reluctant to call for all-day boycott, fear government reprisals.

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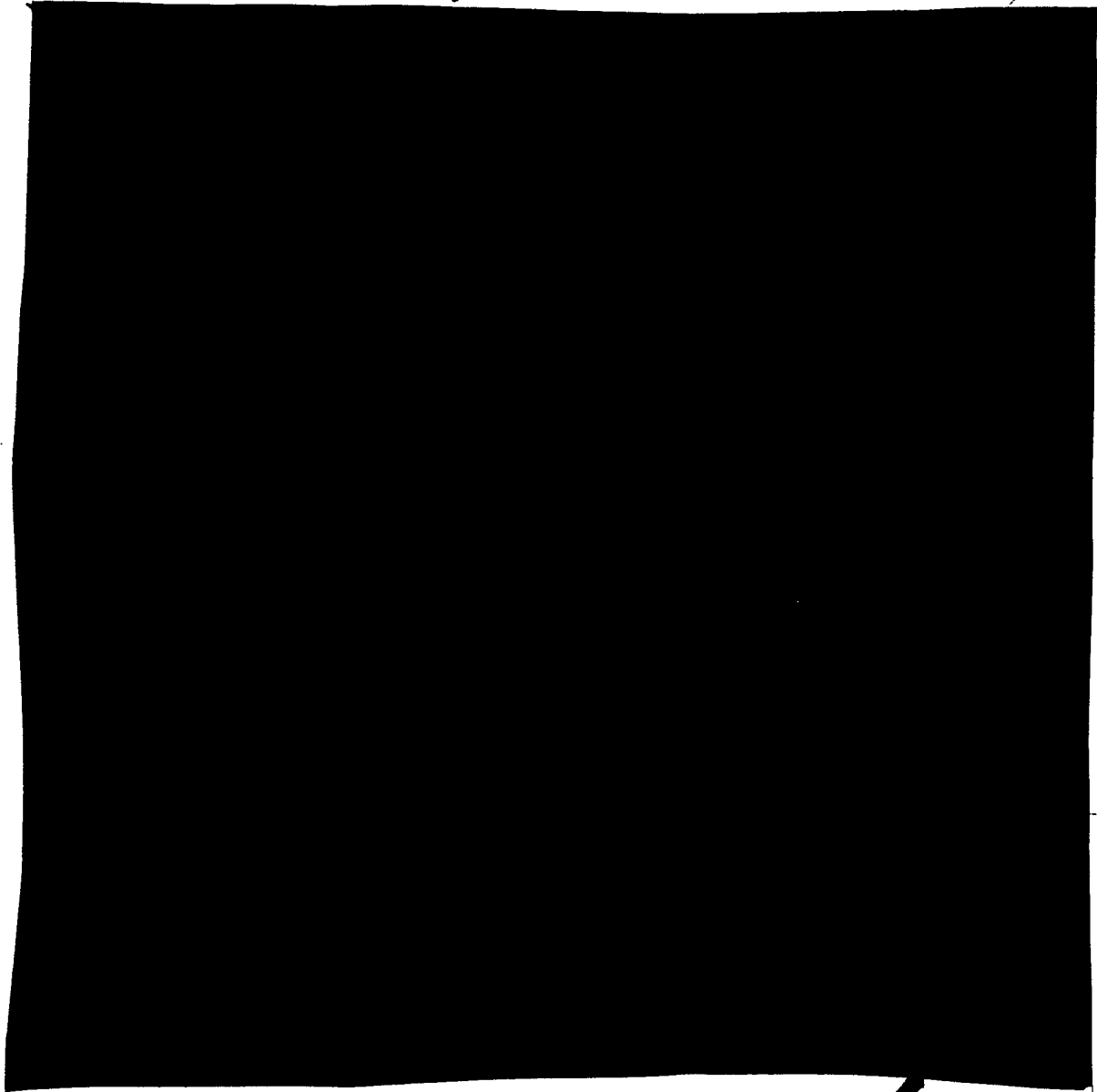
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Special Analysis



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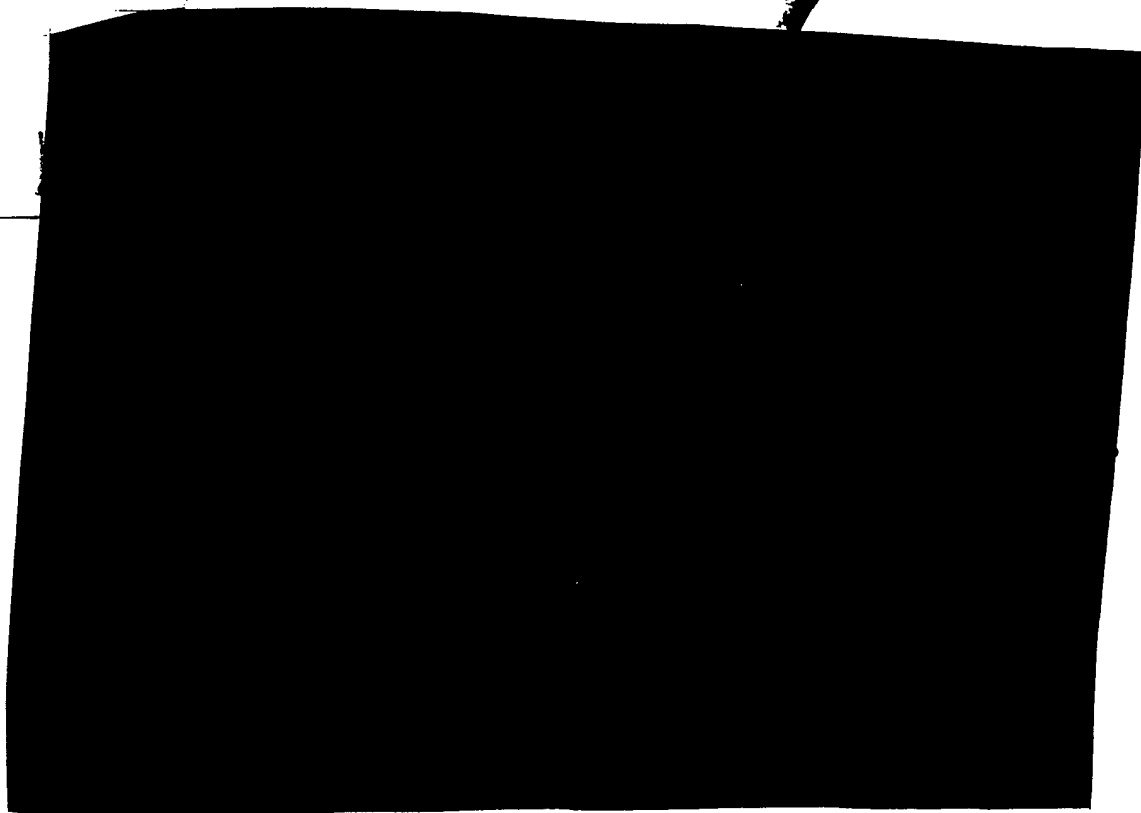
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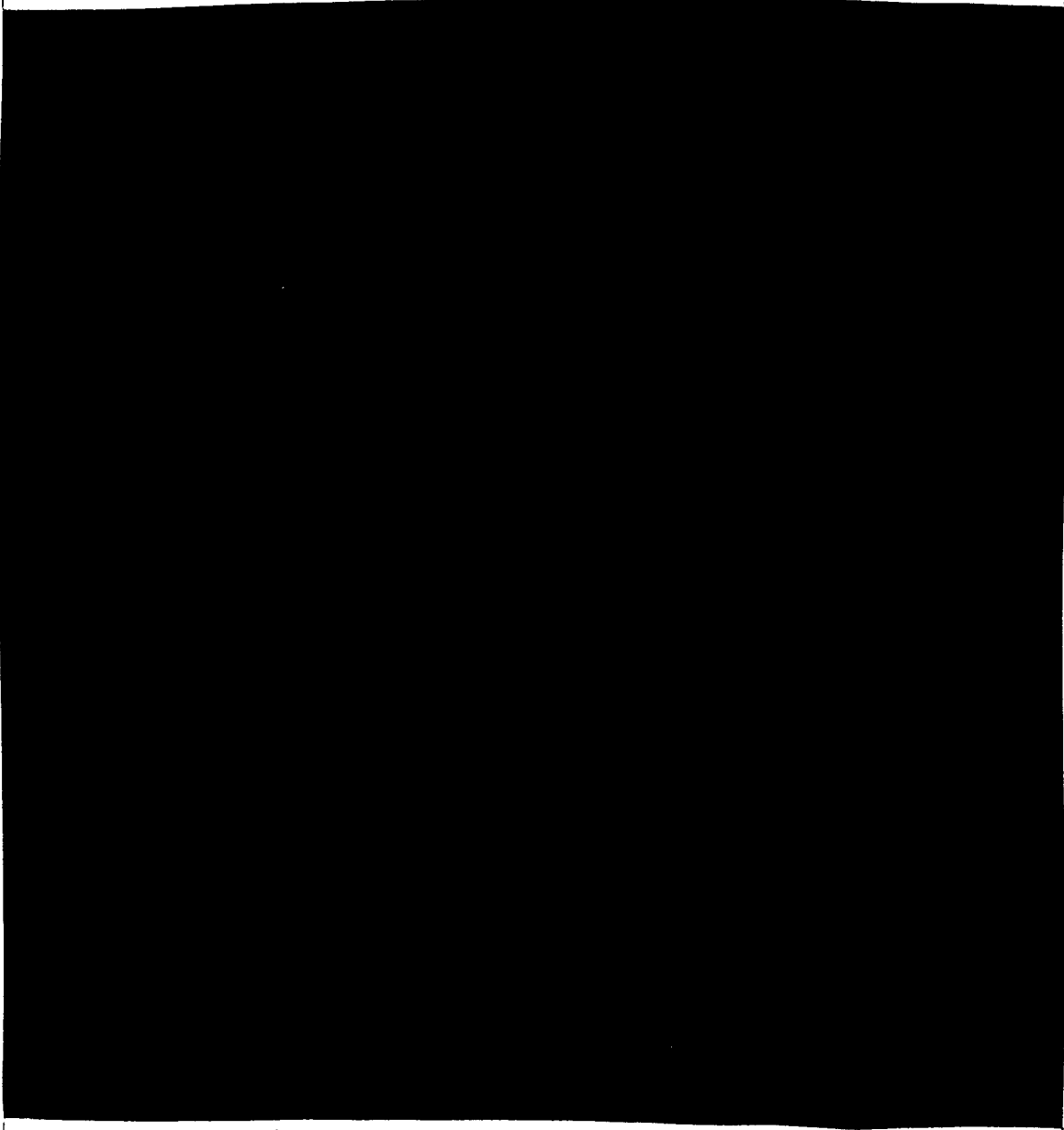
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### Special Analysis

#### LEBANON-SYRIA: The Camp War

*Syria has been unable to curtail the intense fighting in Lebanon between the pro-Syrian Shia Amal militia and Fatah fighters—Palestinians loyal to PLO leader Arafat—or to move ahead with political reform. With the recent demonstration of strength by the PLO near Sidon, Syria's campaign to check Arafat's growing influence throughout Lebanon has suffered. Both sides have sustained major losses and deepening internal divisions.* b3

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#### Amal's Difficulties

Amal's weak performance is intensifying its internal dissension and encouraging challenges to Nabih Barri's authority.

Arafat is now receiving support from Lebanon's Druze and Sunni Muslim militias, further hampering Amal's efforts against the Palestinians. The leader of the Sunni militia—the strongest in Sidon—has been ostensibly neutral, but his men are siding with Fatah. The Druze are making it difficult for Amal to bring in reinforcements from Beirut by refusing to allow Amal to use the coastal highway near Druze-held Ash Shuf. b3

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The radical Shia Hizballah has refrained from intervening but is under increasing pressure from the Shia community to aid Amal.

If Hizballah continues to move toward Amal, its alliance with the PLO in West Beirut is likely to dissolve. b3

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#### Syria's Policies Frustrated

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Despite Syria's efforts to buttress Arafat's rivals within the Palestinian National Salvation Front, the Fatah leader has managed to strengthen his position inside the camps by enlisting the support of other radical Palestinian groups. Libya and Iran are pressing Syria to end the fighting.

Syria is trying to persuade Druze leader Junblatt to join Amal; Junblatt, however, maintains cordial ties to Arafat and believes the growing Shia canton in the south will undermine his own Druze ministate there. b3

#### Outlook

The latest round of fighting has widened the traditional split between Lebanese Sunni and Shia Muslims and probably will spur the two sects to vie for the control of cities and towns in southern Lebanon. The camp wars are almost certain to persist for months and dash all hopes for progress toward Lebanese political reform or Christian-Muslim reconciliation. If pro-Arafat Palestinians continue to gain ground, Syria may be faced with the unpleasant prospect of increasing its military presence in Lebanon. b3

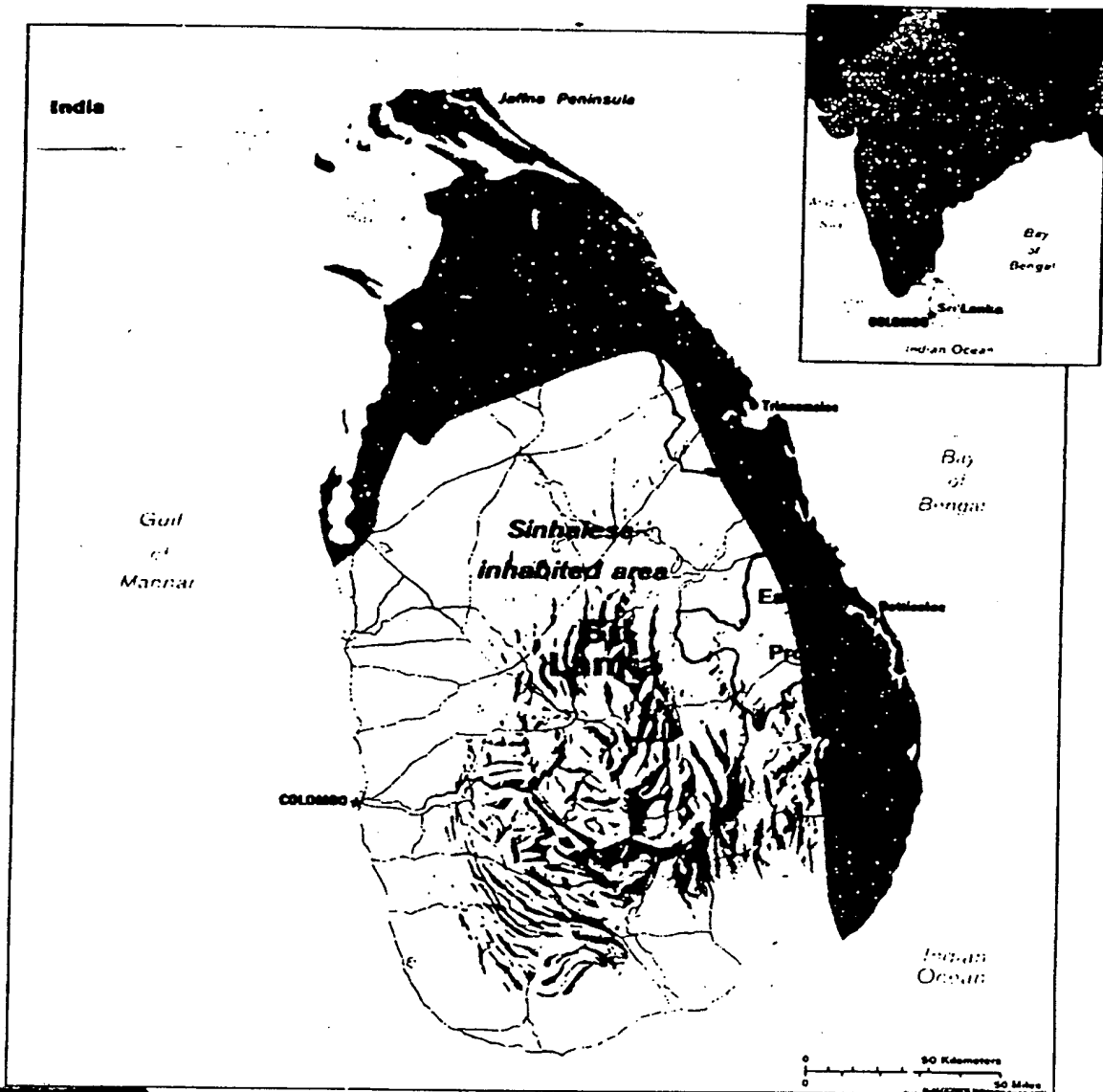
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### Special Analysis

#### INDIA-SRI LANKA: New Life for Sri Lankan Peace Talks

*The meeting between Indian Prime Minister Gandhi and Sri Lankan President Jayewardene earlier this month in Bangalore, India, has revived the stalled Sri Lankan peace talks. New Delhi is likely to press harder on the most powerful Sri Lankan insurgent group—the Liberation Tigers of Tamil Eelam—to negotiate with Colombo, but the Tigers remain adamantly opposed to a settlement and will probably be able to resist Indian efforts.* b3

[REDACTED] It took several days of working-level negotiations for Sri Lankan and Indian officials to adopt formally the peace proposals Jayewardene brought to his mid-November meeting with Gandhi. The plan combines Jayewardene's earlier proposal to create three separate, ethnically based provinces from the existing Eastern Province and a new Indian proposal that would link the two largest cities in the east, Batticaloa and Trincomalee, to Jaffna in the north with a Tamil-controlled corridor. b3

India probably is trying to accommodate Tamil demands for control of Trincomalee, the key city in Eastern Province, which is 33 percent Tamil. b1 b3

[REDACTED] Two high-level Indian ministers presented New Delhi's proposals to Jayewardene last week. b3

#### The Tigers

Politically and militarily the Liberation Tigers dominate the insurgent movement in Sri Lanka and control the civil administrative apparatus in the Jaffna Peninsula; they hold the key to success for any peace plan. Tiger leader Prabakaran was the only major insurgent leader flown to Bangalore to meet Gandhi to discuss the latest peace proposal—which Prabakaran rejected. Moderate leaders and other militant groups were not even informed until after the meeting was over. b3 b3, b1

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police in Tamil Nadu—without prior approval from New Delhi—conducted another operation to confiscate the militants' radios. The raids provoked a hunger strike by Prabakaran and, [REDACTED] embarrassed New Delhi and forced the state government to return the equipment to avoid jeopardizing Gandhi's efforts. [REDACTED]

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#### Outlook

Support for the militants among Tamil Nadu politicians and people—heretofore their staunchest supporters—has eroded somewhat in recent weeks, and the insurgents may find it increasingly difficult to operate from southern India. Although New Delhi is unlikely to push the militants out of Tamil Nadu altogether, it can exert pressure on them by curtailing their arms and narcotics trafficking in southern India and by increasing naval patrols in the Palk Strait to stem the flow of guerrillas into Sri Lanka. [REDACTED]

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The Tigers so far have rejected all of Colombo's peace proposals, and they are not likely to bow to Indian pressure to negotiate seriously. Continued intransigence by the militants will threaten Indian prestige and credibility, and a showdown between New Delhi and Tiger leaders will probably accelerate the withdrawal of Tiger forces to northern Sri Lanka. [REDACTED]

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